

**CITY OF NORTH BEND**  
**King County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. The City Should Comply With State And City Requirements Governing Reimbursement Of Employee Business Expenses

Our examination of employee business expenses disclosed the following issues:

- a. During our 1993 audit, we determined that the city council had not adopted an ordinance or resolution establishing comprehensive rules and regulations for reimbursement of employee travel expenses. Such an ordinance or resolution should define the municipal policy on charging expenses to the city and it should prohibit reimbursement for personal expenses. This issue was reported as a finding in our 1994 audit. As of the last day of field work (August 16, 1996) the city council still had not adopted such a policy.

RCW 42.24.090 states in part:

No claim for reimbursement of any expenditures by officers or employees of any municipal corporation . . . for transportation, lodging, meals or any other purpose shall be allowed by any officer, employee or board charged with auditing accounts unless the same shall be presented in a detailed account: PROVIDED, That . . . the legislative body of any municipal corporation . . . may prescribe by ordinance or resolution the amounts to be paid officers or employees thereof as reimbursement for the use of their personal automobiles . . . in connection with officially assigned duties and other travel for approved public purposes . . . .

The lack of an adopted policy increases the likelihood that public funds may be used for personal purposes.

- b. On June 7, 1995, city officials issued an advance travel fund check in the amount of \$1,000 to the city administrator for attendance at a conference in San Diego, California. As of the last day of our field work, the employee business expense report and related receipts had not been processed through the accounts payable system. We were unable to determine if this documentation was provided to appropriate city personnel.

RCW 42.24.150 states in part:

On or before the fifteenth day following the close of the authorized travel period for which expenses have been

advanced to any officer or employee, he shall submit to the appropriate official a fully itemized travel expense voucher, for all reimbursable items legally expended, accompanied by the unexpended portion of such advance, if any.

Any advance made for this purpose, or any portion thereof, not repaid or accounted for in the time and manner specified herein, shall bear interest at the rate of ten percent per annum from the date of default until paid.

This condition resulted in a \$1,000 shortage in the advance travel fund. In addition, we were unable to determine if expenditures were allowable or properly supported or if the actual expenditures were over or under the amount of the travel advance.

This condition was caused by the lack of a comprehensive travel policy and the lack of effective management oversight over the operation of the advance travel fund.

- c. On November 1, 1994, the city council adopted Resolution 686 establishing a \$125.00 per department limit on monthly cellular phone charges. During our 1994 audit, we noted that the city administrator exceeded this limit on six occasions accumulating a total of \$448.79 in excess charges through the July 5, 1995, vendor closing date.

During our 1995 audit, we noted that the city administrator exceeded this limit on two occasions subsequent to July 5, 1995. The city administrator's employment was terminated effective October 31, 1995. The city closed this account shortly thereafter leaving an unpaid balance of \$570.82. These charges had not been paid as of the last day of field work.

During our 1994 audit, we recommended that the city council amend the cellular phone policy such that the city would not be liable for excessive or personal calls. This policy was not amended as of the last day of field work.

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm . . . .

Because the city is ultimately liable for the unpaid cellular phone charges, incurring expenditures in excess of authorized limits and paying for personal expenses represents an unconstitutional gift of public funds.

We recommend:

- a. City officials replenish the advance travel fund and adopt policies and procedures designed to ensure advances from the fund are settled in a timely manner.

- b. The advance travel fund be reconciled to its authorized balance on a monthly basis.

We again recommend:

- a. The city council adopt an ordinance or resolution establishing comprehensive rules and regulations for reimbursement of employee travel expenses.
- b. The city council amend the cellular phone policy such that the city is not liable for excessive or personal calls.

2. Vouchers Should Be Certified And Approved For Payment In Accordance With Statutory Requirements

During our 1994 audit, we noted payroll warrants and occasional claims warrants were issued prior to approval by the city council. The city council had not adopted appropriate policies and procedures authorizing this practice.

During our 1995 audit, we noted two manual warrants dated October 31, 1996, which were not approved by the city council. Specifically, in October 1995, a payroll warrant was issued to the city administrator for severance pay in the gross amount of \$49,334.34 and a manual claims warrant in the amount of \$3,392.17 was issued to a vendor for engineering services.

The city council is authorized under RCW 42.24.180 to establish policies and procedures facilitating the issuance of warrants prior to approval by the full council. The city council has not authorized this practice. Accordingly, city personnel do not have the authority to issue warrants prior to approval by the city council.

These conditions were caused by the lack of appropriate policies and procedures designed to ensure warrants were not issued prior to approval by the city council.

We again recommend the city council establish policies and procedures designed to ensure warrants are not issued prior to council approval.

3. The City Should Comply With Statutory Public Works Contract Administration Requirements

In July 1995, the city entered into a time-and-materials agreement with a contractor providing for the construction of a new sewerage treatment plant building. The contractor started work in July 1995 and the city paid a total of \$539,672 under this contract through February 1996.

The city did not withhold retainage under this contract as required by RCW 60.28.010 until after a total of \$455,044 had been paid to the contractor for work performed through January 1996. In February 1996, city personnel discovered this error and deducted total retainage due under this contract from the contractor's last pay estimate.

The city did not obtain a performance bond from the contractor as required by RCW 60.28.010. RCW 39.08.015 states that, if the city fails to take a performance bond, the city is liable for contract related debts of the contractor.

These conditions were caused by lack of familiarity with certain statutory contract administration requirements.

We recommend the city withhold retainage and obtain performance bonds in accordance with statutory requirements.

4. The Annual Street Report Should Be Submitted Within The Prescribed Reporting Period

As of the last day of field work (August 16, 1996) the city had not completed its 1995 annual financial report for the Washington State Department of Transportation (WSDOT).

RCW 35.21.260 states in part:

The governing body of each city and town on or before March 31st of each year shall submit such records and reports regarding street operations in the city or town to the secretary of transportation . . . to enable him to compile an annual report thereon.

This condition, caused by employee turnover, hinders WSDOT's ability to compile a comprehensive statewide annual report of street activities in a timely manner.

We recommend:

- a. The city prepare and submit to WSDOT the street report for the 1995 reporting period.
- b. The city prepare and file future annual street reports within the prescribed reporting period.